

# FISCAL NOTE

**Bill #: SB0349**

**Title: Establish housing revolving loan fund**

**Primary**

**Sponsor: Chris Christiaens**

**Status: As introduced**

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$2,000,000	0
State Special Revenue	\$1,068,776	\$1,066,405
<b>Revenue:</b>		
State Special Revenue	\$2,137,006	\$207,085
<b>Net Impact on General Fund Balance:</b>	<b>(\$2,000,000)</b>	<b>0</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	<b>X</b>	Significant Local Gov. Impact	<b>X</b>		Technical Concerns
	<b>X</b>	Included in the Executive Budget	<b>X</b>		Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. Approximately \$1,000,000 of the loan fund would be loaned out each year of the biennium, with \$500,000 of additional loans in each six month period.
2. The balance remaining in the fund would be invested at the STIP rate (currently 5.29%) with the Board of Investments. Interest calculations for the purpose of income to the program are based on \$2 million invested for the first six months of the first year of the biennium, \$1.5 million for the next six months, \$1 million for the first six months of the second year of the biennium, and \$500,000 for the last six months of

(continued)

the biennium. Interest on interest and principal returned to the fund is also estimated as income to the fund.

3. Interest from the investment of funds and interest and principal on the funds loaned would be returned to the fund and reinvested and then re-loaned.
4. The program would be staffed with 1.00 FTE, grade 16 program manager, estimated to cost \$37,066 each year of the biennium. Operating costs are estimated to be \$31,164 in FY 2000 and \$29,339 in FY 2001.
5. For purposes of calculating interest and principal returned to the fund, it is assumed loans are made for 10 year increments, at 3% interest, as gap financing. In order for the program to work as needed, loan terms and conditions will be flexible and will vary between projects, in order to truly fill the “gaps” in current housing programs.

FISCAL IMPACT:

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
FTE	1.00	1.00

Expenditures:

Personal Services	\$37,066	\$37,066
Operating Expenses	\$31,164	\$29,339
Loans	\$1,000,000	\$1,000,000
Transfers	<u>\$2,000,000</u>	<u>0</u>
TOTAL	\$3,068,230	\$1,066,405

Funding:

General Fund (01)	\$2,000,000	0
State Special Revenue (02)	<u>\$1,068,230</u>	<u>\$1,066,405</u>
TOTAL	\$3,068,230	\$1,066,405

Revenues:

State Special Revenue (02)	\$2,137,006	\$207,085
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$2,000,000)	
State Special Revenue (02)	\$1,068,776	(\$859,320)

LONG-RANGE IMPACTS:

State funds would be leveraged with federal grants, conventional loans, federal income tax credits and tax exempt bond loans at approximately \$4 for every \$1 in state funds.

After the initial two year period, the initial \$2 million appropriation is anticipated to be fully lent out. Revenue available for loans in the next biennium would be \$206,358 plus repayments, prepayments, and interest off the outstanding loans. Additional funds would be needed in order to continue to operate the fund at \$1 million in loans per year.

**TECHNICAL NOTES:**

1. The Board of Housing currently does not receive any state funds and is a proprietary funded entity. The state special revenue fund proposed in this bill would require a separate set of financial statements in the governmental fund type, as well as separate budgeting. This program would require manual entries on SBAS for servicing of loans. The board does not account for any existing loans in this manner.
2. Current law does not provide authority for the Board of Housing to make direct loans on housing developments, unless necessary in order to receive federal funds. The board purchases loans from approved lenders. Discussions with the sponsor indicate the intent is that the board make direct loans from the Housing Revolving Loan Fund; therefore, it should be directly stated.
3. The bill does not state whether loan repayments and prepayments are returned to the fund to be lent out on subsequent projects. The bill also does not state whether the fund retains its own interest. Discussions with the sponsor indicate the intent is to have the fund retain its loan repayments, interest, and principal payments to make the fund “revolve”.
4. SB349 as written appears to allow only the interest on the principal to be loaned out. Discussions with the sponsor indicate the intent is to loan out the entire \$2 million principal of the fund, as well as any interest earned above operating costs.

**DEDICATION OF REVENUE:**

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)

Yes, low and moderate income families would benefit from the creation of additional housing units.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

There is currently no state appropriation for housing . These dedicated sources of funds would be applied to housing development and specifically tracked.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended?   X  Yes       No (if no, explain)

- d) Does the need for this state special revenue provision still exist?       Yes       No (Explain)

There is definitely a need for “fill in the gap” financing for housing. Federal tax exempt bond rules, Low Income Housing Tax Credits, and existing housing grant programs all have specific restrictions and leave gaps in the funding available.

- e) Does the dedicated revenue affect the legislature’s ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)

The dedicated revenue source could be specifically tracked, and would be accounted for separately. The Board of Housing currently does not receive any state funds, so this funding source would have its own financial statements and its own accounts.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)

Yes, provided the legislature continues to mandate state responsibility for the Housing Trust Fund. Current law and appropriations do not provide any funds for housing from the state.

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

The Board of Housing does not receive any state funds (either state special revenue or general fund), and is entirely proprietary. This legislation would require separate financial statements for these state special revenue funds (which would add a whole section to the Board's financial report). These funds would not add efficiencies to the accounting system because all of the loans would have to be manually accounted for. However, they would be easy to track because of the nature of the funds.